

ANACORTES SCHOOL DISTRICT No. 103
Skagit County, Washington
September 1, 1991 Through August 31, 1992

Schedule Of Findings

1. The District Should Comply With State Statutes Obtaining Required Surety Bonds

During 1991, the district was involved in three construction projects which required surety bonds to ensure completion of the projects. For two of these projects, the district obtained proper sureties from in-state surety companies as required by law. For the third project, the middle school remodeling construction contract with Cascade Commercial of Snohomish County, the district accepted a performance bond from Val B Inc., an individual surety. This construction company defaulted on their contract and the surety subsequently failed to cure the default. The district then contracted with one of the other original bidders who was available to complete the construction.

Because the original general contractor did not complete the project and the contractor who did complete the project would not warranty any work done before they were engaged, the building is, therefore, without warranty except for portions completed by the subsequent general contractor and by the subcontractors who agreed to complete work begun under the original general contractor.

RCW 39.08.010 states in part that:

Whenever any board, council, commission, trustees, or body . . . shall contract with any person or corporation to do any work . . . the body shall require the person or persons with whom such contract is made to make, execute and deliver to such board . . . a good and sufficient bond, with a surety company as surety, conditioned that such person or persons shall faithfully perform all the provisions of such contract and pay all laborers

The surety obtained by Cascade Construction for this project was an individual surety; an individual surety is allowed by RCW 39.08.010 only:

. . . for contracts of one hundred thousand dollars or less

This contract was for \$1,419,600, therefore, surety should have been obtained from a company.

The district officials and architectural firm of Erickson and McGovern were or should have been aware of the limitation on individual sureties at the time of awarding of this contract, but failed to enforce the requirement.

Failure to obtain the required surety has exposed the district to added and unnecessary costs in the construction project itself and legal liabilities to unpaid subcontractors. In

addition, there may be costs in the future which will be borne by the school district itself which would have been under warranty had a valid surety bond been obtained.

We recommend that the school district establish procedures to ensure that the required surety is obtained for all contracts and accept only qualified bidders.